U1880-2

Georgia State University
University Plaza • Atlanta, Georgia 30303

February 12, 1988

Economic Forecasting Center
College of Business Administration
404/651-3282

Enclosed are the latest quarterly forecasts prepared by the Economic Forecasting Center at Georgia State University.

Our forecast does not contain a recession at the present time. However, it indicates two distinct periods of inventory excesses that need to be removed. The first inventory excess occurs immediately at the retail and wholesale level, especially in automobiles and nondurables. Most of the nondurable inventory excesses are assumed to be imported goods, whose correction will have minimal effect upon U.S. economic activity. The second inventory correction is expected in 1989 as manufacturers discover that export activity cannot continue to grow in real double-digit ranges. They will then discover that their inventories are excessive and need to be corrected.

While these inventory corrections are taking place, construction also is expected to decline significantly while the savings rate is expected to remain at higher levels than in recent years. Strong export activity will provide sufficient offsetting strength to prevent the economy from dipping into recession. Clearly, any weaker export activity, greater consumer retrenchment, or more coordinated inventory adjustments between retailers and manufacturing could tilt the outlook into recession in 1988. The odds of a recession are probably one in three at the present time.

Of course, the stuttering economy that we foresee should keep interest rates from rising significantly and prevent inflation from becoming a serious problem.

If you have any comments concerning this forecast, please forward them to me.

Sincerely,

Dr. Donald Ratajczak
Director
Economic Forecasting Center

DR
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3/14/88 U1880-2

Georgia State University
University Plaza • Atlanta, Georgia 30303

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March 4, 1988

Attached, please find updated copies of tables 1, 3 and 5 of the Forecast of Georgia and Atlanta. The data needed to compute these new figures was released after the February 11 conference. We hope this information will be helpful to you. If you have any questions, please feel free to call the Economic Forecasting Center at 651-3282. Thank you.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1988

Table 1

Georgia Wage & Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	8.2	8.4	8.4	8.5	1.2	2.4	0.0	1.2
2. Construction	151.9	151.5	149.8	149.5	5.6	-0.3	-1.1	-0.2
3. Manufacturing	564.6	569.4	577.1	582.8	1.4	0.9	1.4	1.0
Durables	222.5	222.0	223.8	225.1	1.1	-0.2	0.8	0.6
Lumber	34.7	33.7	33.8	33.9	-2.8	-2.9	0.3	0.3
Furniture	11.8	12.0	12.3	12.5	-0.8	1.7	2.5	1.6
Stone, Clay, Glass	20.7	20.6	20.6	20.7	4.0	-0.5	0.0	0.5
Primary Metals	16.2	16.2	16.6	16.9	-1.8	0.2	2.5	1.8
Fabricated Metals	20.7	20.8	21.0	21.3	0.0	0.5	1.0	1.4
Nonelectrical Machinery	25.7	26.2	28.2	29.6	-1.2	2.0	7.6	5.0
Electrical Machinery	29.4	29.5	29.8	30.3	6.1	0.3	1.0	1.7
Transportation Equipment	51.0	50.6	49.1	47.3	3.9	-0.8	-3.0	-3.7
Other Durables	12.2	12.3	12.4	12.6	-3.2	0.8	0.8	1.6
Nondurables	342.1	347.4	353.3	357.7	1.5	1.6	1.7	1.2
Food	60.6	60.8	62.2	62.9	2.1	0.3	2.3	1.1
Textiles	102.9	107.2	108.7	109.4	2.1	4.2	1.4	0.6
Apparel	69.0	67.8	68.4	69.1	-2.0	-1.7	0.9	1.0
Paper	30.8	31.2	32.2	33.0	1.7	1.3	3.2	2.5
Printing	36.1	37.1	38.2	39.1	5.9	2.8	3.0	2.4
Chemicals	19.3	19.2	19.6	20.0	0.0	-0.5	2.1	2.0
Leather	1.6	1.6	1.7	1.7	0.0	0.0	6.3	0.0
Other Nondurables	21.8	22.5	22.3	22.5	2.8	3.2	-0.9	0.9
4. Transportation, Comm. & Utilities	168.3	174.6	178.8	182.3	3.3	3.7	2.4	2.0
5. Trade	667.7	692.2	707.3	723.0	3.8	3.7	2.2	2.2
Wholesale	196.0	200.1	203.0	206.1	0.3	2.1	1.4	1.5
Retail	471.7	492.1	504.3	516.9	5.4	4.3	2.5	2.5
6. Finance, Ins. & Real Estate	146.1	155.1	158.2	162.4	6.8	6.2	2.0	2.7
7. Services	503.3	536.1	558.3	579.6	7.2	6.5	4.1	3.8
8. Government	462.2	476.0	486.9	496.6	3.0	3.0	2.3	2.0
Federal	96.9	99.3	99.5	99.8	2.9	2.5	0.2	0.3
State	107.7	111.3	116.8	120.5	2.8	3.3	4.9	3.2
Local	257.7	265.4	270.6	276.3	3.2	3.0	2.0	2.1
Total Wage & Salary Employment	2672.4	2763.3	2824.8	2884.7	4.0	3.4	2.2	2.1
Unemployment Rate	5.9	5.3	5.7	6.0	-9.2	-10.2	7.5	5.3

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Table 3 Atlanta MSA Wage and Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	1.3	1.4	1.4	1.4	8.3	7.7	0.0	0.0
2. Contract Construction	73.9	72.9	70.9	71.3	3.2	-1.4	-2.7	0.6
3. Manufacturing	191.1	187.9	190.7	191.6	3.0	-1.7	1.5	0.5
Durables	100.4	97.2	97.6	96.3	3.1	-3.2	0.4	-1.3
Lumber	5.0	5.0	5.2	5.2	2.0	0.0	4.0	0.0
Furniture	4.4	4.2	4.4	4.5	-6.4	-4.6	4.8	2.3
Stone, Clay, Glass	9.8	9.4	9.2	9.3	3.2	-4.1	-2.1	1.1
Primary Metals	7.0	6.9	6.7	6.7	1.5	-1.4	-2.9	0.0
Fabricated Metals	9.5	9.6	9.8	9.9	2.2	1.1	2.1	1.0
Nonelectrical Machinery	10.5	10.4	11.3	12.0	0.0	-1.0	8.7	6.2
Electrical Machinery	15.5	14.7	14.9	15.2	9.2	-5.2	1.4	2.0
Transportation Equipment	33.0	31.4	30.3	27.6	3.8	-4.9	-3.5	-8.9
Other Durables	5.7	5.6	5.8	5.9	0.0	-1.8	3.6	1.7
Nondurables	90.7	90.7	93.1	95.3	2.8	0.0	2.6	2.4
Food	22.0	21.2	21.6	22.1	6.8	-3.6	1.9	2.3
Textiles	7.1	7.4	7.7	7.9	-5.3	4.2	4.1	2.6
Apparel	12.3	11.6	11.5	11.7	-3.2	-5.7	-0.9	1.7
Paper	8.9	9.2	9.6	9.9	3.5	3.4	4.3	3.1
Printing	22.4	22.7	23.4	23.8	4.2	1.3	3.1	1.7
Chemicals	9.3	9.2	9.6	9.9	-2.1	-1.1	4.3	3.1
Other Nondurables	8.7	9.4	9.7	10.0	13.0	8.1	3.2	3.1
4. Transportation, Comm. & Utilities	109.4	114.9	118.3	121.9	4.4	5.0	3.0	3.0
5. Trade	366.4	378.4	387.8	399.7	4.5	3.3	2.5	3.1
Wholesale	128.3	131.0	132.5	134.6	2.3	2.1	1.1	1.6
Retail	238.1	247.5	255.3	265.1	5.7	4.0	3.2	3.8
6. Finance, Ins. and Real Estate	93.4	98.1	100.5	103.5	5.1	5.0	2.4	3.0
7. Services	302.8	319.8	334.1	349.3	7.5	5.6	4.5	4.5
8. Government	185.5	194.1	200.0	205.3	4.2	4.6	3.0	2.7
Federal	39.9	42.1	42.4	42.9	4.2	5.5	0.7	1.2
State	36.9	38.9	41.3	42.9	3.9	5.4	6.2	3.9
Local	108.8	113.0	116.3	119.5	4.4	3.9	2.9	2.8
Total Wage & Salary Employment	1323.8	1367.6	1403.7	1444.0	4.9	3.3	2.6	2.9
Unemployment Rate	4.5	4.4	4.7	5.0	-10.0	-2.2	6.8	6.4

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Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-4	87-1	87-2	87-3(r)	87-4(p)	Jan(p)	86-4	87-1	87-2	87-3(r)	87-4(p)	Jan(p)
Total	2710.5	2740.9	2756.8	2771.3	2783.3	2799.6	1345.2	1360.4	1367.4	1366.7	1375.4	1399.8
Mining	8.3	8.4	8.3	8.3	8.3	8.4	1.3	1.4	1.4	1.4	1.4	1.3
Contract Construction	151.9	152.8	148.7	150.4	153.9	151.4	72.8	74.5	72.1	71.9	73.0	72.0
Manufacturing	563.8	565.0	569.9	570.2	572.3	573.8	190.1	187.3	189.1	187.5	187.7	189.2
Durables	222.0	220.7	222.8	222.0	222.5	223.0	99.7	97.1	98.3	96.5	96.7	97.3
Lumber	34.1	34.0	33.7	33.5	33.6	33.7	4.9	5.1	4.9	5.0	5.2	5.2
Furniture	11.7	11.8	11.9	12.1	12.1	12.2	4.2	4.1	4.1	4.2	4.3	4.4
Stone, Clay, Glass	20.7	20.7	21.0	20.4	20.4	20.6	9.4	9.5	9.7	9.3	9.0	9.3
Primary Metals	16.3	16.4	16.5	16.0	16.1	16.5	7.4	7.1	7.2	6.6	6.6	6.7
Fabricated Metals	20.7	20.6	20.9	20.9	20.7	20.8	9.9	9.5	9.7	9.5	9.6	9.6
Nonelectrical Machinery	25.4	25.4	26.0	26.4	27.1	27.5	10.2	10.2	10.4	10.5	10.7	11.1
Electrical Machinery	29.6	29.5	29.5	29.8	29.4	29.6	15.3	14.7	14.7	14.7	14.5	14.6
Transportation Equipment	51.2	50.0	50.8	50.7	50.9	49.9	32.9	31.5	32.1	31.2	31.0	30.8
Other Durables	12.2	12.3	12.4	12.3	12.2	12.4	5.7	5.5	5.6	5.6	5.7	5.6
Nondurables	341.8	344.3	347.1	348.1	349.9	350.8	90.3	90.2	90.7	91.0	91.0	91.9
Food	61.2	60.5	60.4	60.9	61.5	61.7	21.7	21.2	21.3	21.3	21.2	21.4
Textiles	104.2	106.2	106.6	107.9	107.9	108.4	7.1	7.4	7.3	7.4	7.4	7.6
Apparel	67.1	67.6	68.6	67.6	67.5	67.8	11.9	11.9	11.7	11.5	11.4	11.5
Paper	30.6	31.2	31.1	30.6	31.8	31.9	8.9	9.0	9.2	9.3	9.3	9.4
Printing	36.5	36.5	36.9	37.2	37.9	37.9	22.3	22.4	22.6	22.7	23.0	22.9
Chemicals	19.2	18.9	19.1	19.4	19.5	19.4	9.1	9.0	9.1	9.3	9.4	9.6
Leather	1.5	1.4	1.6	1.7	1.6	1.6	---	---	---	---	---	---
Other Nondurables	21.5	22.1	22.9	22.8	22.3	22.0	9.3	9.3	9.5	9.4	9.4	9.6
Transportation, Comm. & Util.	170.9	172.2	175.2	175.0	176.1	175.3	112.0	111.9	115.1	115.8	116.9	117.0
Trade	679.6	690.9	692.1	694.7	690.9	699.1	372.8	379.5	378.8	379.0	376.6	392.7
Wholesale	198.9	201.2	200.3	198.8	200.0	201.5	129.5	131.6	131.5	130.2	130.6	131.7
Retail	480.7	489.7	491.7	495.9	490.9	497.6	243.2	247.9	247.4	248.9	246.0	251.5
Finance, Ins. & Real Estate	150.8	153.2	154.5	156.1	156.6	157.1	95.4	96.7	98.0	98.8	98.7	99.6
Services	516.5	527.8	533.5	536.8	546.0	551.5	311.4	316.0	317.9	320.6	324.4	327.9
Government	468.8	470.5	474.6	479.9	479.2	483.0	189.3	193.2	195.0	191.6	196.7	200.1
Federal	98.3	98.4	98.8	99.5	100.4	99.2	40.8	41.1	41.7	42.4	43.3	42.4
State and Local	370.5	372.1	375.9	380.4	378.7	383.8	148.6	152.0	153.3	149.3	153.4	157.7
State	108.6	110.9	110.7	111.5	112.2	114.2	37.0	38.6	39.5	38.5	39.1	41.2
Local	261.8	261.2	265.1	268.9	266.6	269.6	111.6	113.5	113.7	110.8	114.3	116.5

5/18/88 U1880-2

Forecast of Georgia & Atlanta 1988-1989
Five-Year Georgia Forecast

ECONOMIC FORECASTING CENTER

Georgia State University
College of Business Administration
May 1988
Dr. Donald Ratajczak, Director

1973-1988

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

The Economic Forecasting Center was established in 1973 at what was then the school of Business Administration, Georgia State University, to provide an academic environment suitable for business forecasting, conducting research and providing services for the college, the business community and the center's sponsors and subscribers.

Accuracy in forecasting is a primary goal of the center. The center's major objectives are:

HISTORICAL DATA: To provide data, develop procedures and create econometric descriptions of the economic systems of the United States, the Southeast, Georgia and the Atlanta metropolitan area.

RESEARCH: To provide a laboratory for research on forecasting and related topics and to instruct students in applied economics in order to increase the number and availability of locally trained individuals with forecasting experience.

FORECASTS: To create forecasts of the national, regional and local economies and to present working papers on the responsiveness of these economies to local and national government policies.

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MODEST GROWTH REMAINS GEORGIA'S OUTLOOK FOR NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Center

SUMMARY

Revised personal income growth for Georgia indicates that the state outperformed the nation during the last year, with nonfarm personal income growing 7.6% as opposed to a national gain of 6.8%. With inflation growing only slightly more in Georgia than nationwide, 3.8% as opposed to 3.6%, Georgia's gross state product probably increased 3.5% in 1987. Activity should increase more slowly in Georgia during the next two years, with gains of 3.0% and 2.0% projected for those years. This will be comparable to gains expected nationwide.

Nonfarm personal income in Georgia grew slightly slower than nationwide during the fourth quarter and seasonally adjusted payroll employment grew at an annual rate of 3.4% in Georgia during the first quarter as compared to a 3.8% gain for the nation. As the year progresses, manufacturing activity other than in the transportation equipment industry should improve while the service and distributive economies will continue modest growth. Employment should increase 2.2% and 1.9% respectively in the next two years while unemployment in Georgia should rise gradually to a 5.7% average in 1988 and 6.1% in 1989.

Nonfarm personal income should slow to gains of only 6.5% and 6.4% during the next two years, although these gains will continue to be slightly greater than nationwide to reflect slightly higher inflation in the local economy.

Population growth already has slowed to 1.9% in 1987 and is expected to slow further to increases of only 1.7% in 1989. However, this moderate reduction in economic growth should have little impact upon state tax collections, as rising inflation will offset falling payroll gains to preserve normal gains in tax collections. Revenues may slow their growth slightly from a surprisingly rapid 9.0% this fiscal year to increases of 8.0% and 7.5% in the subsequent two years. Thus, no serious budgetary problems are foreseen during the forecast period.

The Georgia economy will be adjusting to reduced employment at Lockheed-Georgia and the prospects that one auto assembly plant may not recall workers currently on extended layoff. Also, construction will slow to adjust for slower household growth and the overbuilding of office space. As a result, slower economic growth should be expected. However, employment gains in textiles and machinery should provide sufficient strength to prevent any recessionary tendencies in the next two years.

RECENT CONDITIONS

After surprisingly sluggish payroll gains late in 1987, payroll employment showed renewed strength early in 1988. However, most of the improvement occurred in retail and government payrolls, which are not expected to continue growing at such relatively favorable rates. Construction weakened, but bad weather in January may have distorted that activity. Further weakness is expected in construction, however, to adjust apartment and commercial inventories. Durable manufacturing gains were especially robust in primary metals and non-electrical machinery. Textile employment continued to grow modestly, but employment weakened slightly in the apparel and chemical industries. Transportation services also experienced seasonally adjusted payroll declines while the financial services sector continued the sluggish growth that surfaced last summer, even before the stock market collapsed.

In March, employment showed little change from the previous month. Manufacturing continued to grow, with gains especially sharp in food processing, apparel, and rubber products. Transportation equipment employment continued to drift lower. Also drifting lower were employment in construction, wholesale trade (especially of nondurable goods), and business services. Government payrolls and employment in transportation services continued their strong growth rates. However, with little trend in employment during March, Georgia's payrolls should grow more slowly during the spring than they did in the winter.

Although personal income grew more slowly in Georgia than in the nation during the fourth quarter, Georgia's earnings were stronger in construction, nondurable manufacturing, and federal civilian and military payrolls. Earnings actually fell in durable manufacturing and retail trade, while they were growing nationwide. Farm income also experienced a much stronger rebound in the nation than in Georgia, as favorable poultry prices began to vanish. Despite slower earnings and payroll growth, unemployment benefits fell more sharply in Georgia than nationwide. Also, property income showed stronger gains in Georgia than in the country. With payrolls growing slightly slower in Georgia, nonfarm income should continue to trail national performance during the winter.

Georgia s coincident indicators continued to show widespread gains in the first quarter, with only farm receipts and corporate tax accruals showing any softness in March. The weakness in corporate profitability appears to stem from excessive employment growth during the first quarter, where productivity appears to have fallen slightly in Georgia even as it was expanding at a 0.9% annual rate in the U.S. After seasonal adjustment, the insured unemployment rate fell, suggesting a further tightening of the skilled workforce.

The leading indicators strenghtened as the quarter progressed, suggesting that activity in Georgia may rebound in the months ahead. Consumer spending was especially robust in March, but this could be the result of seasonal factors that do not fully account for the earlier Easter. Next

month's performance may provide some insight into how sustainable the consumption rebound is. State revenues and housing permits also rebounded sharply, indicating strength both in governmental services and housing construction. However, nonresidential construction contracts fell while the workweek also declined. Nevertheless, the leading indicators expanded more rapidly than current activity both in February and March. This normally indicates that current economic activity is less than can be sustained by permits, orders, and consumer spending patterns. Thus, an increase in economic growth should be expected in the next few months.

As last year ended, the South Atlantic states regained regional dominance in retail trade. Sales increased 5.7% in the region as opposed to an anemic 3.6% gain nationwide. Sales continued to decline by 6.8% from the previous year in Atlanta. However, department stores showed a 6.6% sales gain. This was slightly better than a 6.1% gain for department store sales nationwide. During the fourth quarter, taxable sales in Georgia increased only 3.5% from the previous year, but their gains were 6.2% for the year, up from an increase of 5.1% in 1986. When estimates of service expenditures are included, this suggests that Georgia consumption before adjustment for inflation probably increased 7% for the year but only 5% during the fourth quarter. With modest individual tax reductions, disposable income in Georgia probably increased 8% for the year and a strong 9% in year-over-year comparisons for the fourth quarter. Thus, savings rose modestly in Georgia last year but increased sharply at the end of that year.

Slower employment growth in Georgia has occurred prior to a slowing of migration. As a result, unemployment in Georgia has been declining much more slowly than in the nation. By March, Georgia's unemployment had only dipped 0.2 percentage points from the previous year to 5.8%, while nationwide, the unadjusted unemployment rate had fallen from 6.9% to 5.9%. The latest household estimates of employment are surprisingly close to payroll estimates, suggesting little need for further employment revisions when next year's benchmarks are unveiled. Athens has the lowest unemployment rate of any MSA in the state as unemployment fell by 0.9 points to 4.2% in the last year. Although Atlanta's unemployment rate is still a respectable 5.0%, this is a slight increase from the previous year. Unemployment also increased in Macon, from 5.4% to 5.6%, Savannah, from 6.3% to 7.1%, and in Columbus, from 6.8% to 7.2%. However, new companies entering Macon and Columbus along with expansion from existing firms suggest that declining unemployment soon should reappear in those areas. Unemployment fell slightly in Augusta to 6.3% from 6.6% a year ago and also fell in Albany to 8.9% from 10.0% the previous March. Employment gains clearly are more diversified than they were a year ago.

Nationwide, the insured unemployment rate has again reached a cyclical low of 2.1% in recent weeks. By contrast, the insured unemployment rate in Georgia has creeped upward to 1.4% while the Atlanta rate has increased to slightly more than 1%. This relative increase in the insured unemployment rate probably will prevent wage pressures from intensifying more rapidly than nationwide next year.

Mortgage interest rates are beginning to drift upward and are expected to exceed 10% by the summer for all loans closed. A mortgage rate approaching 11% is possible early in 1989 before rates again decline later that year. The latest mortgage rates for March, however, were 9.1% for all loans closed in the U.S., virtually the same as a year ago. In Atlanta, the effective rate fell 0.2 percentage points to 8.86%. The average purchase price of those financed homes increased $3100 nationally to $124,500 while prices soared to $140,400 in Atlanta, an increase of $20,600. Obviously, such price increases in Atlanta will not persist once mortgage rates begin rising and employment gains begin to slow.

Revenue collections in Georgia continue to exceed anticipations as revenues spurted 9.9% from the previous year in the latest quarter. Special audits of sales tax accounts resulted in more revenues in that area than normally occurs. Also, the collection and refund cycle early this year may have led to more gains in personal income than can be sustained. Nevertheless, with collections 10.4% above the previous year during the first nine months, revenues almost certainly will be up by more than 9% for the fiscal year. Indeed, a slowing to even this rate may not develop, as revenues were 11.0% above the previous year in March. The quarterly 9.9% gain compares with increases of 12.3%, 9.1%, 6.9%, 10.0% and 6.4%. Revenue increases should slow during the next two years, but still show respectable gains of 8.0% and 7.5% respectively.

The audit of sales tax accounts clearly helped sales tax collections in Georgia relative to all states. Georgia collections increased 9.9% from the previous year in comparison to gains of 5.9%, 9.7%, 5.1%, 5.4% and 2.5% in previous quarters. The sales tax gain for all state and local governments was 6.2%. This compared to increases of 6.0%, 7.2%, 7.6%, 8.5%, and 7.6% in previous quarters. Georgia's surge in personal tax collections continued in the first quarter with a 14.8% increase. Gains in previous quarters were 15.5%, 11.0%, 9.6%, 12.2%, and 8.0%. Collections also were up strongly for all state and local governments, with an increase of 12.5% in the latest quarter. In previous quarters the increases were much smaller at 4.1%, 6.7%, 13.1%, 5.8% and 6.9%. The one exceptional quarter reflected capital gains as a result of the tax reform act. Capital gains are not a factor this quarter, however. The relative weakness in productivity gains in Georgia may have begun impacting profitability, as corporate collections fell 0.4% from the previous year. This compared with increases of 5.7%, 4.9%, 2.9%, 26.3% and 21.2% in previous quarters. Nationwide, corporate tax collections rose an estimated 9.2% compared to increases of 18.4% and 30.3% in previous quarters. This relative weakness in corporate tax collections presents the only evidence that Georgia's economy may no longer be outperforming the nation. However, special situations in the other tax collections may be hiding a sharp slowing that may become apparent in those revenue categories during the next two years.

SUMMARY OF OUTLOOK

A slight spurt in employment gains early in 1988 will not be sustained as an oversupply of apartments and commercial space is expected to continue reducing construction opportunities into 1989. Housing activity may show a spring spurt before interest rates are expected to increase, but single family activity will again weaken more than seasonally by the fall. Even as apartment activity slowly rebounds, this weakness should prevent any improvement in construction employment until the end of next year.

Although table 1 shows smaller gains in manufacturing than would be expected by the improved environment for export activity and import substitution, Georgia should benefit from the re-industrialization of America. However, the weakness in construction will also slow construction related activity. In addition, transportation equipment will need to absorb the reduction of more than 8000 at Lockheed-Georgia and the reduced likelihood of re-establishing a shift at the Iakewood assembly plant. Also, the carpet industry will be slowing after four years of strong growth as its customers in automobiles, offices, and housing experience slowing. This prevents textiles from experiencing strong growth.

Consolidation in the trucking industry and the reduction of Eastern airline flights are reflected in the slowing of employment in transportation services. An excess of retail employment that developed in 1985 is expected to finally be removed now that organizational changes are occurring in Georgia's major department stores. Stronger employment growth than currently projected could develop in retailing during 1989, however. Weakness in housing sales has slowed real estate employment while the aftermath of the stock market crash and continuation of bank consolidations have restrained gains in financial services. Health services are continuing to grow rapidly, but business services have slowed sharply from their previous gains. Thus, slower growth in the service sector appears to be certain in the next two years.

Despite obvious areas of economic restraint, Georgia should create 60,700 jobs in 1988 and a further 54,600 jobs the following year. These gains are slower than the 91,700 new jobs created last year but are up from our estimates of three months ago. Unfortunately, the labor force is expected to increase slightly faster than job growth, leading to a slight increase in the unemployment rate.

Earnings in farming, construction, and federal civilian activity already has weakened according to the latest personal income data for Georgia. Thus, personal income only grew 6.8% in 1987. However, a spurt in property income as interest rates begin to rise should prevent any further slowing in personal income gains this year. Moreover, construction should generate increased earnings even with slightly declining jobs. Considerable slowing in earnings gains in the financial sector along with slower gains in services will restrain the gains in wage income. Nevertheless, personal income should grow nearly the same as in 1987 during the next two years. Slight reductions in personal tax liability from the tax reform act should increase disposable

income by 7%. After adjustment of retail inflation, real spending should be increasing about 3.5% in 1988 and a slightly lower amount next year. As unemployment rises, unemployment insurance benefits also should increase.

Despite pockets of weakness, the Georgia economy does not show even the hint of a recession during the next two years. Construction will continue to decline while special conditions will restrain the gains in manufacturing. However, only a modest slowing in the growth of retailing should re-establish balance between sales and employment. Moreover, the current slowing in real estate and financial services probably precludes weakness later. Even as growth slows, ample employment opportunities will develop in Georgia during the next two years.

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ATLANTA SHOWS NEITHER BOOM NOR BUST IN NEXT TWO YEARS

RECENT CONDITIONS AND OUTLOOK

Nearly all the seasonally adjusted employment gains experienced in Georgia during the past quarter occurred in Atlanta. Growth in machinery and metals led to sharp gains in durable manufacturing payrolls. Food processing, textiles, and apparel contributed to a spurt in nondurable employment. Transportation services continued to expand strongly, while retail trade rebounded from a seasonally weak fourth quarter. Even health services and government payrolls contributed to strong employment gains. As a result, seasonally adjusted payroll employment grew at an annual rate of 5.6% during the winter months.

Unfortunately, such rapid employment gains cannot be sustained. Construction is expected to decline sharply in the latter half of 1988 and remain depressed in 1989. Reduced office construction and some slowing in public construction will account for some of this weakness. Also, the slump in apartment activity presists even if low levels of activity in the fall appear to be that market's bottom. Housing activity may spurt in the spring, but rising mortgage rates should slow single family activity later in the year and into 1989.

Construction related manufacturing activity, such as lumber and furniture, are expected to decline along with construction into 1989. Also, the Lockheed-Georgia and Lakewood auto assembly plant layoffs will dramatically reduce employment in transportation equipment. Offsetting this weakness is continued strong growth in the metals and machinery industries. Also, growth in nondurables employment should be widespread, except for the diminishing apparel industry in the metro area. Indeed, manufacturing employment should increase despite the obvious weakness in transportation equipment.

Although Delta is expanding activity at Hartsfield, Eastern is reducing its presence. The net effect of this adjustment could be some slowing in the growth of transportation services employment. Reduced growth in real purchasing power will restrain the expansion of retail employment. In addition, some consolidation of retail operations could develop from the changes in operations both at Macy's and Rich's. Financial services continue to adjust to the reduced activity on the stock exchanges following last year's stock crash. However, the largest source of slowing in Atlanta's growth is in the business services, where slow growth should persist through the next several years following an unprecedented boom in consultants during the previous five years.

The latest office market study, by Rubloff, shows a continuation of rapid absorption rates in the Atlanta market. Indeed, another record year of absorption may develop. Of course, a significant percentage of the nearly 2 million sq. ft. of additional absorption in the first quarter was for space that has only been proposed or is under construction. As existing leases have not been cancelled, these estimates certainly overstate the strength of the office market at the present time. Much of the preleasing has occurred in the CBD, Buckhead, Perimeter Center, and the Northwest quadrant. Many of these facilities would not have received financing without this early commitment. Vacancies range from 13.6% in the Perimeter area to 21.6% in the rapidly building Midtown area according to this study.

The Coldwell Banker survey shows stability at 19.0% vacant space in the suburban area but a spurt to 14.4% vacant in the downtown area as some clients leave for midtown. Nationwide, downtown vacancies remained at 16.3% while suburban overbuilding gradually subsided with vacancies falling to 22.3%. Thus, the office market remains more vibrant in Atlanta, but vacancy rates are rising. On the other hand, construction of commercial space currently is 3 million sq. ft. below previous year levels and soon should dip below absorption rates. Effective rental rates for class A space remains below $20 per sq. ft. with concessions remaining extensive in the Atlanta market.

A shift in activity to industrial construction has converted a tight market in 1984 into a glut at the present time. The Coldwell Banker report showed an increase in vacancies to 7.3% in March. This compares to a more modest rise to 5.8% for the nation. Current construction appears to be exceeding absorption by more than a million square feet, which should add further to vacancies into the summer. Some slowing of construction activity then should surface.

Apartment construction has begun to rise in Atlanta during the winter with large projects in Rockdale and Douglas joining continued activity in Clayton, Cobb and Fulton counties. Activity also is ahead of previous year levels in DeKalb, while apartment construction remains absent from Gwinnett. In the first quarter, apartment activity was nearly 30% above previous year levels. Multi-family permits also were ahead of the previous year, with almost all of this activity occurring in Gwinnett, Fulton and DeKalb. However, single family activity has slowed by more than 20%. Weakness is especially noteworthy

in Gwinnett (down 47%), Cherokee (down 23%) and Spalding (down 77%). However, the only counties experiencing gains from previous year levels are Walton (up 102%), Forsyth (up 13%), Fulton (up 5%), and DeKalb (a 2% gain). In March, the southside counties of Clayton and Henry began showing strength, although Fayette remained sluggish.

Potential absorption of housing units appears to be exceeding housing activity, but much of that potential demand has not yet entered the market. As a result, the inventory of unsold housing units on the northside has increased to nearly 7 months of sales. Moreover, the slowing of employment gains will be reflected in reduced housing needs in the next two years. By 1989, housing starts may exceed absorption potential by nearly 5,000 despite continued softness in housing activity.

The first quarter spurt in apartments suggests that activity may remain near current rates during the next two years. Activity is expected to improve in DeKalb, Douglas, Fulton, Rockdale and Gwinnett despite the absence of any activity in Gwinnett so far this year. Further gains in apartment activity should surface in Douglas, Gwinnett and Rockdale in 1989. Single family increases this year are expected in Clayton, DeKalb, Douglas, Forsyth, Fulton, Henry, Newton, and Walton counties. However, weakness in Cobb and Gwinnett will more than offset these gains. Some rebound in housing activity is expected in 1989.

After a summer surge, taxable sales slumped to a 1.9% gain fro previous year levels during the fall, the worst sales performance since the summer of 1975. As a result of this slump, sales only marginally exceeded gains statewide for the year. After inflation, this is consistent with less than a 4% gain in sales volumes. This is consistent with a 4% gain in retail employment during the year. However, a continuation of the weakness of the fourth quarter would require further employment restraint in retail employment.

The slump in taxable sales was concentrated in only a few counties on the east side of Atlanta. Sales fell 8.8% in DeKalb following especially strong sales in the previous year. Sales were off 15.6% in Rockdale and also fell 2% in Fayette. Gwinnett recorded single digit sales gains last year for the first time since the 1974 recession. On the other hand, sales in Fulton increased 9.4% for the quarter and 9.0% for the year. Sales in other Atlanta counties were up between 5% and 8% in the fourth quarter.

Obviously, the sales slump during the fourth quarter is not expected to persist. Income gains are sufficient to support gains in taxable sales of nearly 8% in each of the next two years with no changes in savings rates. As savings rates actually rose slightly in Atlanta in 1987, the need for further consumer restraint is not so compelling. Nevertheless, the forecast is assuming slightly further increases in savings rates in generating employment gains in the trade sector during the next two years.

Despite sluggish construction, the absorption of more than 10,000 transportation equipment workers in the next two years, and restraint upon the

growth of the service economy, Atlanta should be able to create 38,300 additional jobs in 1988 and another 35,600 in 1989. These gains clearly are substantially less than in recent years, but they still indicate an economy that is expanding even as some construction excesses and manufacturing imbalances are being removed. On the other hand, the Atlanta Chamber's goal of 50,000 jobs per year over the next three years will be difficult to attain.

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Table 1

Georgia Wage & Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	8.2	8.4	8.4	8.4	2.0	1.5	0.6	0.0
2. Construction	151.9	151.5	149.6	148.3	5.7	-0.3	-1.2	-0.9
3. Manufacturing	564.6	569.3	576.4	580.6	1.3	0.8	1.2	0.7
Durables	222.5	222.0	223.1	223.2	1.1	-0.2	0.5	0.0
Lumber	34.7	33.7	33.7	33.8	-2.8	-2.8	-0.1	0.3
Furniture	11.8	12.0	11.8	11.7	-0.8	1.4	-1.4	-0.8
Stone, Clay, Glass	20.7	20.6	20.5	20.4	4.0	-0.4	-0.6	-0.5
Primary Metals	16.2	16.2	16.5	16.7	-1.9	0.1	1.7	1.2
Fabricated Metals	20.7	20.8	21.2	21.6	0.3	0.1	1.9	1.9
Nonelectrical Machinery	25.7	26.2	28.0	28.8	-1.3	2.2	6.7	2.9
Electrical Machinery	29.4	29.5	30.0	30.5	6.4	0.3	1.6	1.7
Transportation Equipment	51.0	50.6	48.7	46.6	4.0	-0.9	-3.8	-4.3
Other Durables	12.2	12.3	12.7	13.1	-3.4	1.3	3.2	3.1
Nondurables	342.1	347.4	353.3	357.4	1.5	1.5	1.7	1.2
Food	60.6	60.8	62.2	63.1	2.3	0.3	2.3	1.4
Textiles	102.9	107.2	108.9	109.6	2.1	4.2	1.6	0.6
Apparel	69.0	67.8	67.7	68.0	-2.0	-1.7	-0.2	0.4
Paper	30.8	31.2	32.3	33.1	1.7	1.2	3.6	2.5
Printing	36.1	37.1	38.5	39.3	5.8	2.9	3.7	2.1
Chemicals	19.3	19.2	19.3	19.5	0.0	-0.6	0.4	1.0
Leather	1.6	1.6	1.6	1.5	-3.6	-1.0	2.6	-6.3
Other Nondurables	21.8	22.5	22.8	23.3	2.9	3.2	1.3	2.2
4. Transportation, Comm. & Utilities	168.3	174.6	177.2	180.4	3.2	3.8	1.5	1.8
5. Trade	667.4	692.1	704.4	718.9	3.8	3.7	1.8	2.1
Wholesale	195.9	200.1	200.6	202.5	0.3	2.2	0.3	0.9
Retail	471.6	492.1	503.8	516.4	5.4	4.3	2.4	2.5
6. Finance, Ins. & Real Estate	146.1	155.1	157.5	160.6	6.8	6.2	1.5	2.0
7. Services	503.2	536.0	560.8	578.9	7.2	6.5	4.6	3.2
8. Government	462.3	476.1	489.5	502.3	3.0	3.0	2.8	2.6
Federal	96.9	99.3	100.4	101.9	2.8	2.5	1.1	1.5
State	107.7	111.3	114.4	117.9	2.8	3.3	2.8	3.1
Local	257.7	265.4	274.7	282.5	3.2	3.0	3.5	2.8
Total Wage & Salary Employment	2671.9	2763.1	2823.8	2878.4	4.0	3.4	2.2	1.9
Unemployment Rate	5.9	5.3	5.7	6.1	-9.2	-10.2	7.5	7.0

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Table 2

Georgia Personal Income for 1986 and 1987 with Forecasts for 1988 and 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	53041	57007	60430	64420	9.1	7.5	6.0	6.6
2. Other Labor Income	4913	5224	5502	5788	8.4	6.3	5.3	5.2
3. Proprietors' Income	6244	6744	7374	8062	14.6	8.0	9.3	9.3
Farm	1003	1001	1068	1277	22.5	-0.2	6.7	19.6
Nonfarm	5241	5743	6306	6785	13.2	9.6	9.8	7.6
Labor & Proprietors' Income:								
1. Farm	1152	1153	1226	1443	19.1	0.1	6.3	17.7
2. Mining	330	372	404	426	6.1	13.0	8.6	5.4
3. Contract Construction	4484	4443	4596	4715	14.5	-0.9	3.4	2.6
4. Manufacturing	13016	13688	14397	15074	7.8	5.2	5.2	4.7
Durables	5826	6035	6238	6490	7.7	3.6	3.4	4.0
Nondurables	7189	7652	8159	8584	7.9	6.4	6.6	5.2
5. Transportation & Utilities	5763	6276	6648	7108	6.5	8.9	5.9	6.9
6. Trade	12344	13186	13787	14695	6.7	6.8	4.6	6.6
Wholesale	5794	6151	6398	6781	5.1	6.2	4.0	6.0
Retail	6550	7035	7389	7914	8.2	7.4	5.0	7.1
7. Finance, Ins. & Real Estate	4169	4721	5041	5423	18.1	13.2	6.8	7.6
8. Services	12140	13542	14837	16158	13.4	11.6	9.6	8.9
9. Other Industries	270	278	293	308	13.7	2.8	5.4	5.1
10. Government	10533	11318	12077	12920	6.5	6.5	6.7	7.0
Federal Civilian	2485	2549	2684	2819	-0.2	-0.2	5.3	5.0
Federal Military	1479	1511	1639	1767	4.5	4.5	8.5	7.8
State & Local	6569	7259	7754	8334	9.7	9.7	6.8	5.3
Plus:								
Property Income	11158	11765	13020	13840	8.0	5.4	10.7	6.3
State U.I. Benefits	227	240	239	293	7.6	5.6	-0.4	22.6
Other Transfers	10360	10887	11508	12187	5.5	5.1	5.7	5.9
Residence Adjustment	-193	-207	-224	-243	30.4	7.3	8.2	8.5
Less: Social Ins. Contributions	3648	3940	4387	4741	10.1	8.0	11.3	8.1
Equals: Total Personal Income	82103	87720	93462	99606	8.7	6.8	6.5	6.6
Nonfarm Personal Income	80951	86567	92236	98163	8.6	6.9	6.5	6.4
% of U.S. Nonfarm	2.33	2.34	2.36	2.39	---	---	---	---
Population	6104	6222	6335	6444	2.16	1.93	1.82	1.72

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Table 3 Atlanta MSA Wage and Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	1.3	1.4	1.4	1.4	6.8	7.7	0.0	0.0
2. Contract Construction	74.0	72.9	70.6	70.1	3.2	-1.5	-3.1	-0.7
3. Manufacturing	191.1	187.9	190.0	190.4	2.9	-1.7	1.1	0.2
Durables	100.4	97.1	97.0	95.6	3.0	-3.2	-0.1	-1.4
Lumber	5.0	5.1	5.1	5.0	2.5	0.7	1.0	-2.0
Furniture	4.4	4.2	4.1	4.0	-6.8	-5.1	-1.9	-2.4
Stone, Clay, Glass	9.8	9.4	9.0	8.8	3.6	-4.3	-4.1	-2.2
Primary Metals	7.0	6.9	6.6	6.8	1.6	-1.2	-4.1	3.0
Fabricated Metals	9.5	9.6	10.1	10.7	2.7	0.3	5.8	5.9
Nonelectrical Machinery	10.5	10.4	11.2	11.9	0.7	-1.2	7.7	6.3
Electrical Machinery	15.5	14.7	15.0	15.4	8.8	-5.3	2.4	2.7
Transportation Equipment	33.0	31.4	30.2	27.1	3.6	-4.7	-3.9	-10.3
Other Durables	5.7	5.6	5.7	5.9	-0.6	-1.6	2.0	3.5
Nondurables	90.7	90.7	93.0	94.8	2.8	0.0	2.5	1.9
Food	22.0	21.2	21.8	22.3	6.5	-3.3	2.6	2.3
Textiles	7.1	7.4	7.6	7.8	-5.6	3.9	3.0	2.6
Apparel	12.3	11.6	11.8	11.7	-3.0	-5.6	1.5	-0.8
Paper	8.9	9.2	9.5	9.7	3.2	3.5	3.3	2.1
Printing	22.4	22.7	23.2	23.7	4.3	1.1	2.4	2.2
Chemicals	9.3	9.2	9.4	9.6	-1.9	-1.2	2.0	2.1
Other Nondurables	8.7	9.4	9.7	10.0	12.3	8.4	3.1	3.1
4. Transportation, Comm. & Utilities	109.4	114.9	118.7	121.3	4.3	5.1	3.3	2.2
5. Trade	366.3	378.5	386.8	396.7	4.5	3.3	2.2	2.6
Wholesale	128.3	131.0	132.2	133.6	2.3	2.1	0.9	1.1
Retail	238.0	247.5	254.6	263.1	5.7	4.0	2.9	3.3
6. Finance, Ins. and Real Estate	93.4	98.1	100.3	103.6	5.1	5.0	2.3	3.3
7. Services	302.7	319.7	333.4	345.8	7.5	5.6	4.3	3.7
8. Government	185.5	194.1	204.6	212.3	4.2	4.6	5.4	3.8
Federal	39.9	42.1	43.5	44.7	4.1	5.7	3.3	2.8
State	36.9	38.9	40.8	42.4	4.1	5.4	4.8	3.9
Local	108.7	113.1	120.3	125.2	4.3	4.0	6.4	4.1
Total Wage & Salary Employment	1323.6	1367.5	1405.8	1441.6	4.8	3.3	2.8	2.5
Unemployment Rate	4.5	4.4	4.6	5.0	-10.0	-2.2	4.5	8.7

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Table 4 Atlanta MSA Personal Income for 1986 with Forecasts for 1987 through 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	29235	31339	33415	35638	10.3	7.2	6.6	6.7
2. Other Labor Income	2963	3170	3351	3545	9.0	7.0	5.7	5.8
3. Proprietors' Income	2054	2264	2468	2670	14.9	10.2	9.0	8.2
Farm	105	110	97	112	20.6	4.8	-11.8	15.5
Nonfarm	1949	2154	2371	2558	14.0	10.5	10.1	7.9
Labor & Proprietors' Income:								
1. Farm	122	129	118	136	18.4	5.7	-8.5	15.3
2. Contract Construction	2091	2048	2079	2137	14.4	-2.1	1.5	2.8
3. Manufacturing	5404	5533	5797	6032	9.4	2.4	4.8	4.1
Durables	3153	3172	3261	3346	8.9	0.6	2.8	2.6
Nondurables	2251	2361	2536	2686	10.0	4.9	7.4	5.9
4. Transportation & Utilities	4121	4541	4891	5248	7.8	10.2	7.7	7.3
5. Trade	7915	8432	8853	9468	7.9	6.5	5.0	6.9
Wholesale	4464	4736	4954	5261	7.1	6.1	4.6	6.2
Retail	3451	3696	3899	4207	8.9	7.1	5.5	7.9
6. Finance, Ins. & Real Estate	3083	3453	3715	4046	17.8	12.0	7.6	8.9
7. Services	7183	7952	8691	9508	13.6	10.7	9.3	9.4
8. Other Industries	166	166	174	183	12.1	0.0	4.7	5.3
9. Government	4167	4519	4916	5231	7.4	8.4	8.8	6.4
Federal Civilian	1123	1157	1243	1322	1.5	3.0	7.5	6.3
Federal Military	230	238	253	270	3.0	3.6	6.2	6.5
State & Local	2814	3124	3420	3639	10.4	11.0	9.5	6.4
Plus:								
Property Income	5776	6117	6826	7270	8.2	5.9	11.6	6.5
Transfer Payments	3411	3599	3789	4062	6.3	5.5	5.3	7.2
Residence Adjustment	-1243	-1258	-1272	-1296	5.2	1.2	1.1	1.9
Less: Social Ins. Contributions	2165	2332	2612	2824	8.2	7.7	12.0	8.1
Equals: Total Personal Income	40031	42899	45965	49065	10.1	7.2	7.1	6.7
Nonfarm Personal Income	39909	42770	45847	48929	10.1	7.2	7.2	6.7
% of Georgia Nonfarm	49.33	49.41	49.71	49.84	---	---	---	---
Population (#,Thousands)	2560	2642	2717	2781	3.57	3.20	2.84	2.36

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Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	87-1	87-2	87-3	87-4(r)	88-1(p)	Mar(p)	87-1	87-2	87-3	87-4(r)	88-1(p)	Mar(p)
Total	2740.9	2756.8	2771.3	2783.3	2806.8	2805.9	1360.4	1367.4	1366.7	1375.4	1394.2	1392.3
Mining	8.4	8.3	8.3	8.3	8.5	8.5	1.4	1.4	1.4	1.4	1.4	1.4
Contract Construction	152.8	148.7	150.4	153.9	153.0	152.4	74.5	72.1	71.9	73.0	72.3	72.3
Manufacturing	565.0	569.9	570.2	572.3	575.3	576.2	187.3	189.1	187.5	187.7	190.3	190.3
Durables	220.7	222.8	222.0	222.5	224.1	223.8	97.1	98.3	96.5	96.7	98.0	97.7
Lumber	34.0	33.7	33.5	33.6	33.9	34.0	5.1	4.9	5.0	5.2	5.1	5.1
Furniture	11.8	11.9	12.1	12.1	12.0	11.9	4.1	4.1	4.2	4.3	4.2	4.1
Stone, Clay, Glass	20.7	21.0	20.4	20.4	20.6	20.5	9.5	9.7	9.3	9.0	9.2	9.1
Primary Metals	16.4	16.5	16.0	16.1	16.4	16.4	7.1	7.2	6.6	6.6	6.7	6.6
Fabricated Metals	20.6	20.9	20.9	20.7	20.8	20.9	9.5	9.7	9.5	9.6	9.9	10.0
Nonelectrical Machinery	25.4	26.0	26.4	27.1	27.6	27.6	10.2	10.4	10.5	10.7	11.2	11.0
Electrical Machinery	29.5	29.5	29.8	29.4	29.7	29.7	14.7	14.7	14.7	14.5	14.6	14.8
Transportation Equipment	50.0	50.8	50.7	50.9	50.6	50.3	31.5	32.1	31.2	31.0	31.6	31.4
Other Durables	12.3	12.4	12.3	12.2	12.5	12.5	5.5	5.6	5.6	5.7	5.6	5.7
Nondurables	344.3	347.1	348.1	349.9	351.1	352.5	90.2	90.7	91.0	91.0	92.3	92.6
Food	60.5	60.4	60.9	61.5	61.7	62.3	21.2	21.3	21.3	21.2	21.6	21.8
Textiles	106.2	106.6	107.9	107.9	108.5	108.7	7.4	7.3	7.4	7.4	7.6	7.6
Apparel	67.6	68.6	67.6	67.5	67.4	67.7	11.9	11.7	11.5	11.4	11.7	11.8
Paper	31.2	31.1	30.6	31.8	32.0	32.0	9.0	9.2	9.3	9.3	9.4	9.4
Printing	36.5	36.9	37.2	37.9	38.2	38.3	22.4	22.6	22.7	23.0	22.9	23.1
Chemicals	18.9	19.1	19.4	19.5	19.4	19.2	9.0	9.1	9.3	9.4	9.4	9.3
Leather	1.4	1.6	1.7	1.6	1.5	1.6	---	---	---	---	---	---
Other Nondurables	22.1	22.9	22.8	22.3	22.5	22.7	9.3	9.5	9.4	9.4	9.6	9.6
Transportation, Comm. & Util.	172.2	175.2	175.0	176.1	176.0	176.6	111.9	115.1	115.8	116.9	117.5	118.3
Trade	690.9	692.1	694.7	690.9	700.4	700.0	379.5	378.8	379.0	376.6	383.0	381.6
Wholesale	201.2	200.3	198.8	200.0	201.0	200.9	131.6	131.5	130.2	130.6	132.3	132.0
Retail	489.7	491.7	495.9	490.9	499.3	499.1	247.9	247.4	248.9	246.0	250.7	249.6
Finance, Ins. & Real Estate	153.2	154.5	156.1	156.6	157.3	157.2	96.7	98.0	98.8	98.7	99.6	99.6
Services	527.8	533.5	536.8	546.0	552.3	549.2	316.0	317.9	320.6	324.4	328.6	326.5
Government	470.5	474.6	479.9	479.2	484.1	485.8	193.2	195.0	191.6	196.7	201.5	202.3
Federal	98.4	98.8	99.5	100.4	99.9	100.4	41.1	41.7	42.4	43.3	43.0	43.4
State and Local	372.1	375.9	380.4	378.7	384.2	385.4	152.0	153.3	149.3	153.4	158.5	158.9
State	110.9	110.7	111.5	112.2	113.8	113.6	38.6	39.5	38.5	39.1	40.4	40.5
Local	261.2	265.1	268.9	266.6	270.5	271.7	113.5	113.7	110.8	114.3	118.1	118.4

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Table 6 Metro Atlanta Housing Permits for 1985 through 1987 with Forecasts through 1989

	1985		1986		1987		1988		1989	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	66	4	64	0	92	0	75	0	80	0
Cherokee	1632	155	2450	265	1799	17	1530	20	1610	40
Clayton	1408	1424	1559	1832	1371	1882	1480	1550	1560	1310
Cobb	5713	3003	5875	3922	4937	2816	4590	2350	4620	2160
DeKalb	2686	4302	3265	3647	2712	3269	2750	3340	2730	3150
Douglas	702	189	779	242	775	0	790	410	840	560
Fayette	692	0	822	15	907	0	810	0	870	20
Forsyth	718	76	782	88	735	36	810	30	850	50
Fulton	3048	4143	3416	4259	3311	2625	3530	2760	3420	2550
Gwinnett	6905	4112	5728	4062	4819	436	4130	860	4420	1060
Henry	899	126	1322	164	1457	132	1470	100	1540	130
Newton	311	14	373	62	517	6	560	10	620	20
Paulding	718	0	927	6	1011	0	960	0	980	20
Rockdale	692	120	1075	283	971	161	850	280	860	360
Walton	286	0	343	0	489	0	650	0	730	0
Total	26476	17668	28780	18847	25903	11380	24985	11710	25730	11430
% Change From Previous Year	+22.7	-8.5	+8.7	+6.7	-10.0	-39.6	-3.5	+2.9	+3.0	-2.4
% Change in Total (single + multi)	+7.8		+7.9		-21.7		-1.6		+1.3	
Estimated Potential Absorption (000)	48.0		44.0		41.4		37.9		32.3	

Source: Homebuilders Association of Metro Atlanta

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Table 7

Georgia Employment in 1992

	1986	1992	% Change	Annual Rate	Previous Annual Rate
Mining	8.2	8.7	6.1	1.0	2.5
Construction	151.9	163.3	7.5	1.2	2.3
Manufacturing	564.6	609.6	8.0	1.3	1.5
Durables:	222.5	237.9	6.9	1.1	1.4
Lumber	34.7	34.6	-0.3	-0.1	-0.3
Furniture	11.8	12.1	2.5	0.4	-0.1
Stone, Clay, Glass	20.7	21.1	1.9	0.3	1.2
Primary Metals	16.2	17.3	6.8	1.1	-0.3
Fabricated Metals	20.7	23.1	11.6	1.8	1.1
Nonelectrical Machinery	25.7	32.4	26.1	3.9	1.8
Electrical Machinery	29.4	32.6	10.9	1.7	3.5
Transportation Equipment	51.0	50.3	-1.4	-0.2	2.2
Other Durables	12.2	14.4	18.0	2.8	1.0
Nondurables:	342.1	371.7	8.7	1.4	1.6
Food	60.6	67.4	11.2	1.8	2.3
Textiles	102.9	108.3	5.2	0.9	0.8
Apparel	69.0	68.5	-0.7	-0.1	0.2
Paper	30.8	36.1	17.2	2.7	2.9
Printing	36.1	44.0	21.9	3.4	4.6
Chemicals	19.3	20.1	4.1	0.7	0.7
Leather	1.6	1.4	-12.5	-2.2	-9.1
Other Nondurables	21.8	25.9	18.8	2.9	1.5
Transportation, Comm. & Utilities	168.3	191.8	14.0	2.2	1.8
Trade:	667.4	787.7	18.0	2.8	3.8
Wholesale	195.9	213.9	9.2	1.5	2.3
Retail	471.6	573.8	21.7	3.3	4.4
Finance, Ins. & Real Estate	146.1	178.6	22.2	3.4	5.3
Services	508.3	661.5	31.4	4.7	5.8
Government:	462.3	549.8	18.9	2.9	1.7
Federal	96.9	103.6	6.9	1.1	1.2
State	107.7	129.8	20.5	3.2	2.2
Local	257.7	316.4	22.8	3.5	1.6
Total Wage & Salary	2671.9	3151.0	17.9	2.8	3.2
Population	6104	6738	10.4	1.66	1.85

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Table 8 Georgia Personal Income in 1992

	1986	1992	% Change	Annual Rate	Previous Estimated Growth Path
Labor & Proprietors' Income :					
1. Wage & Salary Income	53041	82608	55.7	7.7	8.1
2. Other Labor Income	4913	6819	38.8	5.6	8.5
3. Proprietors' Income:	6244	10177	63.0	8.5	10.4
Farm	1003	1393	38.9	5.6	7.5
Nonfarm	5241	8784	67.6	9.0	10.8
Labor & Proprietors' Income:					
1. Farm	1152	1586	37.7	5.5	7.2
2. Mining	330	518	57.0	7.8	6.6
3. Contract Construction	4484	6097	36.0	5.3	7.4
4. Manufacturing:	13016	18196	39.8	5.7	6.3
Durables	5826	8008	37.5	5.4	6.1
Nondurables	7189	10188	41.7	6.0	6.4
5. Transportation, Comm. & Utilities	5763	8874	54.0	7.5	6.5
6. Trade:	12344	18618	50.8	7.1	7.7
Wholesale	5763	8292	43.9	6.3	6.8
Retail	6550	10326	57.7	7.9	8.4
7. Finance, Insurance & Real Estate	4169	7183	72.3	9.5	11.5
8. Services	12140	21680	78.6	10.2	12.0
0. Other Industries	270	362	34.1	5.0	9.7
10. Government:	10533	16490	56.6	7.8	7.4
Federal Civilian	2485	3318	33.5	4.9	5.2
Federal Military	1479	2111	42.7	6.1	8.5
State & Local	6569	11061	68.4	9.1	7.9
Plus:					
Property Income	11158	17034	52.7	7.3	5.9
State (U.I.) Benefits*	227	346	52.4	7.3	7.0
Transfer Payments	10360	14721	42.1	6.0	6.1
Residence Adjustment	-193	-268	----	---	---
Less: Social Ins. Contributions	3648	6505	78.3	10.1	10.1
Equals: Total Personal Income	82103	124932	52.2	7.3	7.7
Real Personal Income**	33443	38008	13.7	2.2	2.6
Atlanta CPI	245.5	328.7	33.9	5.0	5.0

** Assuming CPI rises 5.0% per year, adjusted to reflect difference from national purchasing power, and to eliminate CPI bias.
* Assuming 4.5% unemployment rate in 1992.

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ECONOMIC FORECASTING CENTER

Georgia State University
College of Business Administration
August 1988
Dr. Donald Ratajczak, Director

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ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

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GEORGIA'S ECONOMIC GROWTH SAGGING BEHIND NATION

Dr. Donald Ratajczak
Director
Economic Forecasting Center

Summary

Although near-term prospects for the national economy continue to improve, no improvement is apparent in Georgia. During the first quarter, nonfarm personal income in Georgia grew only 0.7% as compared to a 1.0% gain nationwide. Although payrolls grew nearly 4% at annual rates in the nation during the spring, preliminary seasonally adjusted data show an actual decline in Georgia. The gross state product in Georgia after adjustment for inflation may grow only 2.5% in 1988 and 1989. This compares with nearly 4% nationwide in 1988.

Led by sharp reductions in employment and transportation equipment, manufacturing employment should fall slightly in Georgia this year. Weakness also is developing in wholesale trade and federal payrolls, especially defense payrolls. Thus, employment gains in Georgia during 1988 should average only 1.1% following 3.4% gains in 1987. A slight rebound to a gain of 2.1% is anticipated for 1989 as a slump in construction begins to stabilize and as weakness in transportation equipment begins to subside. Also, current weakness in retail sales and in the finance sector should have run their course by next year.

Even as unemployment will continue to fall nationwide into 1989, unemployment in Georgia should be trending upward to 6.0% in 1988 and 6.4% in 1989 from a low 5.3% in 1987.

Nonfarm personal income is expected to grow at national rates both in 1988 and 1989 with expansion at 6.5% and 6.8% respectively. A rebound is expected in the farm economy in 1989 as the poultry industry builds upon current increased demand and as crop farmers recover from this year's drought conditions.

Because of reduced employment opportunities, population gains in Georgia are expected to slow significantly from more than 1.9% in 1987 to only slightly more than a 1.6% gain in 1989.

A surprising dip in tax collections at the end of the fiscal year led to only an 8.8% gain in revenues. Revenue growth will be decidedly slower in the next two fiscal years with gains of only 7.5% in each of those years currently being anticipated. Next fiscal year's gains are slightly less than anticipated in the governor's budget, and could cause a mild budgetary embarrassment.

Although employment opportunities are dwindling, especially in transportation equipment, construction-based manufacturing, and the construction industry, the expansion in manufacturing nationwide will not completely pass Georgia by. Strong employment gains are anticipated for nonelectrical machinery and printing. In addition, following current adjustments in retail trade, more substantial expansion of retail activity should develop next year. For these reasons, a recession does not appear to be developing in Georgia at the present time, although economic growth has slowed to below normal rates of expansion.

Recent Conditions

Preliminary data suggest that payroll employment actually declined after seasonal adjustment during the second quarter. While our coincident indicators definitely reveal a significant slowing in Georgia's rate of growth, a slowing that is also apparent in revenue collections, an actual decline in economic activity does not appear to be likely. Indeed, preliminary second-quarter employment data normally understate employment both in Georgia and Atlanta. When benchmark revisions are completed in subsequent years, this preliminary dip normally is eliminated. For that reason, a measured 13,300 decline in seasonally adjusted employment during the second quarter should not be viewed with serious alarm. On the other hand, there is little doubt that Georgia's economy continues to slow.

Employment weakness in the second quarter was largely concentrated in durable manufacturing, construction, and retail trade. The finance sector also continued to show weakness as brokerage houses continued to shrink following last year's stock market crash. A dip in federal civilian workers on defense budgets was not anticipated. Within durable goods, most of the weakness is in transportation equipment, where layoffs at Lockheed and reductions in work at the Lakewood auto assembly plant sharply reduced employment. Further employment weakness is expected in that sector. Employment also dipped in furniture, the stone clay group, the metals industries, food processing, yarn and apparel production, and even the paper industry. Meaningful employment strength was observed only in nonelectrical machinery, printing, communications, real estate, and services, especially health services. Local government payrolls also expanded sharply.

Georgia's weakness in personal income gains would have been even more significant if not for a smaller decrease in farm personal income than nationally. The only Georgia sector aside from farming performing better than nationwide was state and local payrolls. Obviously, they cannot continue to do so if the remainder of the Georgia economy remains sluggish. Georgia construction earnings fell 3.3% while they were growing 0.9% in the nation during the first quarter. Manufacturing earnings increased only 0.7% versus 1.3% nationwide as earnings in nondurable goods industries rose 0.9% while they were increasing only 0.3% in Georgia. Earnings in Georgia services showed a surprising decline, although a decline also was registered nationwide. Most other sectors showed only modestly slower rates of gain for earnings than nationwide. Fortunately, property income grew more rapidly in Georgia than in the nation (1.0% vs. 0.9%). However, Georgia small business does not appear to have fared well, as nonfarm proprietors' income grew only 0.8% versus 1.5% for the nation. In the first quarter of 1988, Georgia accounted for 2.36% of U.S. nonfarm personal income, up from 2.31% two years previously.

Above U.S. average concentrations existed for nondurable goods (3.72% of the nation), military (3.62%), wholesale trade (3.57%), and the transportation group (3.36%). Unusually low earnings concentrations exist for mining (1.07%), and durable goods (1.75%). In addition, state unemployment benefits were only 1.63% of the nation while property income totaled only 1.91%. In both cases, however, Georgia's share of the nation continued to grow.

Georgia's personal income should continue trailing the national gains in the second quarter. More conformity with national personal income gains then should be anticipated in the second half of 1988.

Georgia's coincident indicators continued to grow slowly in the second quarter, with the important hours worked index showing declines in May and June. Farm receipts also were down, but a rebound in poultry profitability in June should reverse that declining trend. In addition, the drought has not been as severe in southern Georgia as in the Midwest. Thus, most farmers should do as well as the previous year. By the end of this year, poultry farmers once again should be generating significant profitability. The insured unemployment rate continued to be the most favorable coincident indicator but corporate tax accruals and bank deposits also provided significant positive contributions. According to the coincident indicators, Georgia's gross state product grew slightly more than 2% after adjustment for inflation in the spring.

Georgia's leading indicators have been erratic in 1988, but the trend has been toward slowing. In June, the indicators dropped a sharp 1.1%, although most of that decline was the result of depleted revenue collections. This could have been the result of greater-than-normal tax refunds. Initial unemployment claims rose sharply in June, suggesting significant slowing in employment opportunities in the month's ahead. Residential permits also continued to decline. However, nonresidential construction showed modest gains while the manufacturing workweek was up slightly.

The most troubling result of the indicators is the substantial slowing in the leading indicators relative to the coincident indicators. This slowing suggests that the current Georgia economy, which is already growing at a subnormal 2.0%, is growing more than can be sustained by developing orders, permits, and purchasing power. Thus, the indicators suggest that an already sluggish Georgia economy could become even more sluggish before any improvement can develop later this year and early next year.

In recent months, retail trade in the South Atlantic has begun to grow more slowly than the national average. In May, the South Atlantic's increase of 4.7% above the previous year was slower than gains of 9.6% in New England, 8.1% in the West-North Central region, 7.8% in the Mid-Atlantic states and 4.8% in the Mountain states. However, for the first five months of 1988, the South Atlantic states continued to outperform the nation and all the other regions except New England. In Atlanta, retail sales for the first five months were up 4.6%, but department store sales showed only a 0.3% gain. Nationwide, department stores were able to increase 4.3% in the comparable period. In the first quarter of 1988, Georgia taxable sales showed a sharp increase of 10.6% as compared to 5.8% the previous year. This suggests that Georgia consumption, after adjustment for service expenditures, increased 8%. Adjusted for a modest decrease in individual tax reductions, Georgia disposable income apparently also increased about 8%. Thus, the savings rate changed very little in Georgia during the past year.

The weakness in employment gains is readily apparent in the unemployment data. While unemployment in the United States during the past year was falling from 6.1% to 5.4%, unemployment in Georgia was rising from 5.6% to 6.1%. Again, the household surveys are registering a discrepancy relative to employment gains in the payroll series. According to the household measure, employment is up 66,000, while the payroll estimates are up only slightly more than 20,000 over the comparable period. This suggests that the payroll estimates probably understate employment gains in Georgia, but even the 66,000 employment gain in the household survey is a significant slowing from the previous year. Only Albany showed a decline in the unemployment rate from the previous year as

strong employment gains were not matched by labor force growth. However, the Albany unemployment rate remains at 9.2%. The lowest unemployment rate remains in Athens where strong employment gains are occurring with strong growth in the labor force. As a result, the unemployment rate has drifted up slightly from 4.1% to 4.3% over the past year. Unemployment has increased more sharply in Atlanta, from 4.7% to 5.3%. Unemployment has risen in Macon from 5.2% to 6.1% as the labor force has grown more sharply than employment. Similar conditions led to an increase in the unemployment rate in Augusta from 6.2% to 6.6%. Unemployment in Columbus has drifted up from 6.3% to 6.8%. Moreover, initial unemployment claims are now beginning to rise, suggesting further increases in unemployment ahead. Savannah shows the largest increase in unemployment as household measures of employment have declined from the previous year. Weakness in bag manufacturing may have been a significant factor here along with disappointing port activity. The Savannah unemployment rate has gone from 5.9% to 7.2% in the past year.

Rising unemployment rates in Georgia and Atlanta appear to be the result of new entrants unable to find work. The insured unemployment rates remain remarkably low. In Georgia, the insured unemployment rate once again dipped to 1.2% while it fell to 0.9% in Atlanta. This compares with a 2.1% insured unemployment rate nationwide. The insured rate in Atlanta is at a cyclical low.

Although mortgage rates are now moving significantly upward, they had not increased substantially from a year ago as summer began. Nationwide, the effective mortgage rate in May for all loans closed was down .10 percentage points from a year ago to 9.2%. In Atlanta, the effective rate increased by .20 percentage points but only to 9.29%. Mortgage rates should rise in the next few months and average close to 10% by the next quarterly report. Further increases in mortgage rates are now possible, with the rate approaching 11% early in 1989 before declining later in the year. Nationwide, the average purchase price of homes financed decreased $3900 to $118,200. In Atlanta, by contrast, home prices continued to soar to $145,700, an increase of $18,300 from a year ago. With rising mortgage rates and reduced employment gains, further substantial increases in the purchase price of homes in Atlanta are not likely.

A special audit of sales tax accounts and a significant shift in the payments and refunds on personal income taxes significantly altered revenue collections in Georgia during the second quarter. Revenue collections slowed to only a 4.8% gain in the quarter and actually fell by 0.6% in June from the previous year. As a result, revenue collections were up only 8.8% for the fiscal year. This was more than sufficient to meet the governor's budget, which originally projected only a 5.9% gain. However, the 8.2% increase projected for next fiscal year is in serious jeopardy. In previous quarters, the revenue increases were 9.9%, 12.3%, 9.1%, 6.9%, and 10.0%. We are now projecting a slowing in revenue gains to only 7.5% in each of the next two years. Thus, a modest budgetary crisis may develop this fiscal year.

Following the audit of sales tax accounts, sales tax receipts slowed sharply to an increase of only 4.9%. This compares with gains of 9.9%, 5.9%, 9.7%, 5.1%, and 5.4% in previous quarters. The sales tax gain for all state and local governments was 6.9%. This compares to increases of 7.5%, 6.4%, 6.5%, 6.8%, and 5.6% in previous quarters. Personal tax collections also slowed sharply to an increase of only 4.6%. This compares with gains of 14.8%, 15.5%, 11.0%, 9.6%, and 12.2% in previous quarters. All state and local governments showed an increase of only 1.9% in the latest quarter. This compares with

increases of 9.2%, 8.2%, 8.6%, 21.8%, and 9.9% in previous quarters. According to our coincident indicators, productivity performance was unusually poor in Georgia during the first quarter and then improved significantly in the second quarter. This is clearly reflected in corporate tax collections. In the second quarter, corporate collections increased 11.5% as compared to a 0.4% decline from the previous year in the first quarter. This compared with increases of 5.7%, 4.9%, 2.9%, 26.3%, and 21.2% in previous quarters. Nationwide, corporate tax collections increased an estimated 23.9% in the latest quarter. This compares to increases of 13.4%, 15.9%, and 26.7% in previous quarters. The rebound in corporate tax collections suggests that the substantial slowing in sales tax and personal income collections may not be reflecting only conditions in the Georgia economy. Certainly, special audits and timing of refunds also distorted this year's collections. Nevertheless, revenue growth is slowing significantly, providing further support to the assessment that Georgia's economic activity no longer is growing more robustly than in the nation.

Summary of Outlook

Possible shifts in seasonals and distortions in measuring second-quarter payroll estimates probably has led to a greater statement of employment weakness in Georgia than actually exists. Nevertheless, revenue estimates also show a significant slowing during the quarter, although those figures are distorted as well. Our coincident indicators reveal slow growth, although the leading indicators suggest that little or no growth may develop during the third quarter. In this confusing muddle of economic data, several factors are certain.

First, construction employment definitely is trending downward. During the first six months of this year, construction contracts have trailed previous year levels by 12%. Residential construction continues to trend downward, although nonresidential activity has begun to stabilize. Apartment activity is beginning to strengthen, but declines in single-family activity and public construction should prevent the construction sector from rebounding until well into next year.

Second, Lockheed is beginning layoffs following completion of the C-5B program, while GM's Lakewood plant is down to skeletal staff and may be permanently closed. Some of the weakness in fabricated metals may also be related to support for those important transportation activities. As a result, durable employment is declining in Georgia even as it is growing nationwide. Georgia is benefitting in its nonelectrical machinery and primary metals as a result of the national expansion in manufacturing, but weakness in construction is apparent in the construction-related durable manufacturing sectors.

Third, the overhang in retail employment that developed in 1985 and was never appropriately eliminated, is now being exorcised. As sales remain more robust than employment gains in trade, growing nearly 6% in inflation-adjusted terms during the first quarter, a rebound in trade employment should develop in 1989.

Fourth, the stock market crash impacted brokerage activity in Georgia along with other parts of the country. In addition, further consolidations by banks and cost-cutting measures have led to a dramatic slowing in employment opportunities. This is viewed as a one-time adjustment that will then permit more rapid gains next year.

Finally, several miscellaneous factors are leading to further economic softness. Eastern Airlines is reducing its presence at the Atlanta airport. Several trucking industries throughout the state have consolidated their operations. Business services are growing at surprisingly slow rates following a surge earlier in the cycle. A slowing was anticipated, but the magnitude of the slowdown is slightly surprising. Health services, however, continue to grow rapidly.

On balance, most of the slowing appears to be the result of one-time corrections to excesses, such as in construction and retail, or a one-time adjustment to special conditions, such as in the transportation equipment and finance sectors. Employment gains are developing in nonelectrical machinery and primary metals, as they are nationwide. Although the apparel industry remains weak, the textile industry continues to show gains. However, the carpet industry probably is due for some consolidation after four years of vigorous advance. Also, slower economic growth will lead to reduced growth for the transportation and communications activities. However, by the middle of 1989, most of these special effects should no longer be exerting their influence upon the Georgia economy. More robust employment gains then can develop. In the meantime, the unemployment rate is trending upward. Tight labor market conditions should disappear early next year.

Slower employment growth clearly leads to reduced growth in personal income. Weakness will be especially noteworthy in construction, where earnings fell last year. Also showing sharply reduced earnings growth are the trade and finance sectors as a result of difficulties in employment growth. Slowing business services also are reflected in slower earnings growth in the services category. Fortunately, higher interest rates will contribute to a significant gain in property income while a healthy unemployment compensation program should readily offset some of the wage loss through increased benefits. Also, the reduced availability of jobs in Georgia may reduce the number of people working in Georgia but living in other states. After adjustment for slightly more than 4% inflation in 1988 and inflation approaching 5% in 1989, real disposable income is expected to be growing between 2% and 2.5% in both years. Our latest projections show a Georgia economy generating only 30,200 new jobs in 1988 before adding 57,500 additional jobs in 1989. In both years, this employment growth will be less than the underlying growth capability of Georgia. As a result, the unemployment rate should rise and wage pressures should ease. A recession remains an unlikely condition for Georgia in the next two years despite this obvious slowing in growth opportunities.

LESS THAN AVERAGE GROWTH EXPECTED IN ATLANTA DURING NEXT TWO YEARS

Recent Conditions and Outlook

Although not all the weakness in Georgia employment opportunities are developing in Atlanta, some of the important problem areas are Atlanta-based. Both Lockheed and the Lakewood assembly plant are in the Atlanta metropolitan area. Retailing probably is as overdone in Atlanta as any other part of the state except Columbus. Brokerage activity is more heavily concentrated in Atlanta than in other parts of the state. Also, business services are heavily concentrated in Atlanta. Thus, employment shows the same seasonally adjusted declines in Atlanta that appeared throughout the state during the second quarter. Again, however, doubts about the validity of that seasonal adjustment pattern for the second quarter should be entertained. According to household surveys, employment is 20,000 better from previous year levels than measured by the payroll estimates. In both cases, however, economic expansion has slowed significantly.

Although construction is continuing to decline, current construction performance shows that apartment activity is increasing while commercial vacancy rates are continuing to decline. Thus, the magnitude of construction weakness from current levels cannot be very large. Unfortunately, the falloff in transportation equipment has only begun. By 1989, employment in that sector is expected to be 6400 jobs less than in 1986. Moreover, the weakness in construction will generate some softness in construction-related manufacturing sectors.

Nevertheless, some economic strength is developing in Atlanta. Primary metals, nonelectrical machinery, and even electrical machinery are beginning to show significant employment gains. Also, employment growth is unspectaculor but consistent in virtually all the nondurable areas except the apparel industry. Despite weakness at Eastern, employment gains remain strong for the communications and transportation sectors. In addition, government payrolls are continuing to show reasonable expansion, even though some budget constraints next year may slow the growth of state employees.

Some of the weakness in retail employment reflects consolidations following changes in ownership at Macy's and Rich's. Retail electronics chains also have faced considerable economic difficulty. However, most of the weakness is expected to become less significant or reverse direction next year. Thus, only a short period of especially slow employment growth is anticipated. Nevertheless, only 21,700 additional jobs are now expected in 1988, followed by job growth of 34,200 in 1989. Obviously, these increases fall far short of the Chamber's goal of adding 50,000 jobs per year over the next three years. The Coldwell Banker building survey shows a decline in commercial vacancies both nationwide and in Atlanta. Nationally, the combined vacancy rates for downtown suburban space fell from 20.4% in March to 19.8% in June. The comparable performance for Atlanta was 18.2% in March and 17.5% in June. Atlanta's downtown vacancy rate surged to 16.0%, only slightly behind the 16.3% vacancy rate for all downtown areas. However, suburban vacancies fell more sharply in Atlanta than they fell nationwide. The suburban vacancies in Atlanta were 17.8% as compared to 21.5% for all suburban areas nationwide. The Atlanta market continues to experience strong pre-leasing, a condition that did not exist until the past two years. Obviously, employment is migrating from downtown facilities

to Midtown or Buckhead facilities. This is leading to uncomfortably high downtown vacacy rates. Vacancy rates also remain high in the Midtown area.

Industrial vacancy rates rose to 5.9% nationwide while they dropped slightly to a still high 7.0% in Atlanta. As completions of industrial space continue to exceed 10 million square feet. This slight dip in vacancies suggests that absorption remains robust. If reduced construction activity continues along with continued high absorption rates, vacancy rates in the industrial sector should return to national averages by the middle of next year.

Metro-wide, single-family housing permits fell 6% in the second quarter, a smaller rate of weakness than the 18.6% decline in the first quarter. Counties showing improvement in single-family permits include Coweta (15.4%), Walton (21.3%), Fayette (136.8%), DeKalb (20.6%), and Fulton (6.2%). Sharp gains in Fayette are in comparison to a previous year when sewer moratoriums slowed construction activity. Gwinnett remains the top single-family housing market, although permits are down 10% there. In Cobb, the second strongest market, starts have fallen a sharp 27.4%. Further weakness is expected in these two counties as a result of slower employment gains expected with the large Lockheed layoffs. As mortgage rates rise, further weakness is expected in single-family activity.

Multi-family activity continues to make a surprising rebound from substantial weakness in the previous year. As these apartments become completed, rental rates should be under downward pressures. This, in turn, should begin to exert downward pressures upon single-family housing prices in the Atlanta area. By the end of this year, both single-family and multi-family construction once again should be trending downward. In the meantime, permits are up 70% in the second quarter from previous year levels. In the first six months, activity has been especially strong in Fulton county, where permits exceed previous year levels by more than 200%. DeKalb is also experiencing substantial acceleration in apartment activity, with second-quarter permits up 105%. Of course, the largest percentage gains in apartment activity are being recorded in Gwinnett, where virtually no multi-family units were permitted a year ago. However, 224 permits during the second quarter pale in comparison to the 1300 or more in Fulton and DeKalb. Clayton county also continues to show surprising strength in multi-family activity, with second-quarter permits up over 300%. However, permits in Cobb county are off more than 50% in the second quarter and almost certainly will be down sharply for the year.

No significant pattern of housing activity appears to be developing at the present time. Housing strength is intensifying in the central counties of Fulton and DeKalb and is continuing to slow in Cobb and Gwinnett. The South side counties, which were showing substantial improvement last year, are currently showing mixed results. Swelling multi-family activity clearly is compensating for modest slowing in single-family permits in Clayton county. Also, a surge in housing activity appears to be developing in Fayette. However, a previous burst of growth in Henry county amid rumors about developments there, no longer is leading to accelerating housing activity. On the East side, Walton is accelerating, but Rockdale county is showing slower growth. Housing weakness in Douglas county shows that a surge in development there is not yet taking place. On the North, both Cobb and Gwinnett are growing rapidly, but are definitely slowing their rates of expansion. The further-out counties of Cherokee and Forsyth are showing limited spillover effects.

Because of reduced employment gains, our estimates of potential absorption have been reduced in the forecast years. Because of the slump in apartment activity in 1987, housing did not exceed absorption in that year. However, the rebound in apartments this year threatens a glut of housing activity. By next year, slower household formations could lead to significant overbuilding of housing activity. If so, real estate prices probably will stabilize in Atlanta and construction activity may slow more than is currently projected.

Data has recently been released which show that personal income in Atlanta was higher in 1986, the last year available, than originally expected. As a result, Atlanta is now generating nearly 52% of the personal income for the entire state. Especially noteworthy was the sharp upward revision in nonfarm proprietors' income. This is normally related to self-employed and small business development, and suggests that Atlanta was even a better vehicle for developing small business than originally anticipated. Also revised upward sharply were construction payrolls, retail trade earnings, and earnings in services. On the other hand, property income was revised downward, causing an unusually high 72% of all income in Atlanta to be earned through wages and salaries. This far exceeds the national importance in wage and salary concentrations.

Taxable sales in Atlanta continue to outperform Georgia. In the first quarter, sales were up a strong 10.9%. This suggests that total consumption probably grew at an 8% rate in that quarter. Personal income in Atlanta does not appear to have grown as rapidly as sales, suggesting that savings actually fell slightly in the quarter. On the other hand, after adjustment for inflation, sales were sharply higher than what was consistent with employment gains in the trade sector. This rebound in taxable sales following a discouraging fourth quarter suggests that the current consolidation in retail employment should be short-lived.

The surge in taxable sales was concentrated again in only a few counties. Fulton county once again showed a surprisingly strong 12.3% gain. However, Clayton county rebounded to a 12.5% gain, Gwinnett showed a 12.9% gain, Forsyth county rebounded from a disasterous first quarter in last year's racially-marred performance to tack on a 15.1% gain, Rockdale recovered from a disasterous Christmas to do a 13.9% gain while its neighbor Walton showed a 12.5% spurt. On the other hand, Cherokee showed a surprising 1.5% dip.

Income growth in Atlanta certainly is more than sufficient to sustain current employment growth in retail activity. However, the spurt in taxable sales during the first quarter far exceeds spending capabilities. For the year, real purchasing power in Atlanta probably will be up only about 3%. Similar gains in purchasing power are anticipated for 1989.

Summary of Outlook

Atlanta appears to be adjusting surprisingly well to the slower growth in economic activity that is developing. Although housing may exceed absorption potential late in 1988 and in 1989, this overshooting appears to be the result of a rebound in apartment activity rather than any substantial excesses in single-family construction. However, single-family vacancy rates will rise as a result of the increased supply. Other construction appears to have slowed sufficiently to provide a modest decline in vacancy rates. Vacancies still may rebound slightly as tenants leave old locations to occupy new leases.

Retail activity has slowed sufficiently to eliminate the excess overhang that has persisted since 1985. Also, the financial sector is currently undergoing an adjustment that should be completed early in 1989. The only sector of longer-term concern is the business services sector, which has slowed its employment gains dramatically in recent quarters. Barring a collapse in that consulting sector, Atlanta should be poised to return to modest rates of employment growth in 1989. In the meantime, the unemployment rate probably will rise slightly followed by an increase in the insured unemployment rate, which currently is at cyclical lows. Thus, the tight labor market conditions in Atlanta should ease slightly next year.

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Table 1

Georgia Wage & Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	8.2	8.4	8.5	8.5	2.0	1.6	1.2	0.5
2. Construction	151.9	151.5	147.9	147.3	5.7	-0.3	-2.4	-0.4
3. Manufacturing	565.1	569.4	568.3	568.7	1.4	0.8	-0.2	0.1
Durables	223.0	222.0	219.7	219.1	1.3	-0.4	-1.0	-0.3
Lumber	35.2	33.7	34.0	33.9	-1.3	-4.3	0.9	-0.3
Furniture	11.8	12.0	11.7	11.5	-0.8	1.4	-2.5	-1.7
Stone, Clay, Glass	20.7	20.6	20.2	20.0	4.0	-0.4	-1.9	-1.0
Primary Metals	16.2	16.2	16.3	16.5	-1.9	0.1	0.6	1.2
Fabricated Metals	20.7	20.8	20.4	20.3	0.3	0.1	-1.9	-0.5
Nonelectrical Machinery	25.7	26.2	28.0	29.4	-1.3	2.2	6.7	5.0
Electrical Machinery	29.4	29.5	29.6	29.8	6.4	0.3	0.3	0.7
Transportation Equipment	51.1	50.6	47.4	45.6	4.0	-0.8	-6.3	-3.8
Other Durables	12.2	12.3	12.1	12.1	-3.4	1.3	-1.6	0.0
Nondurables	342.1	347.4	348.6	349.6	1.5	1.5	0.3	0.3
Food	60.6	60.8	61.3	61.9	2.3	0.3	0.8	1.0
Textiles	102.9	107.2	108.0	107.5	2.1	4.1	0.7	-0.5
Apparel	69.0	67.8	66.4	65.8	-2.0	-1.7	-2.1	-0.9
Paper	30.8	31.2	31.0	31.3	1.7	1.2	-0.6	1.0
Printing	36.1	37.1	38.4	39.0	5.8	2.9	3.5	1.6
Chemicals	19.3	19.2	19.3	19.5	-0.1	-0.6	0.4	1.0
Leather	1.6	1.6	1.6	1.6	-3.6	-1.1	2.6	0.0
Other Nondurables	21.8	22.5	22.6	23.0	2.9	3.2	0.4	1.8
4. Transportation, Comm. & Utilities	168.3	174.6	177.2	179.5	3.2	3.8	1.5	1.3
5. Trade	667.5	692.2	697.7	717.7	3.8	3.7	0.8	2.9
Wholesale	195.9	200.1	199.5	202.8	0.3	2.2	-0.3	1.7
Retail	471.6	492.1	498.2	514.9	5.4	4.3	1.2	3.4
6. Finance, Ins. & Real Estate	146.1	155.1	156.4	160.3	6.8	6.2	0.8	2.5
7. Services	503.3	536.0	550.3	570.2	7.2	6.5	2.7	3.6
8. Government	462.3	476.1	487.1	498.7	3.0	3.0	2.3	2.4
Federal	96.9	99.3	98.3	99.1	2.8	2.5	-1.0	0.8
State	107.7	111.3	113.5	115.7	2.8	3.3	2.0	1.9
Local	257.7	265.4	275.3	283.9	3.2	3.0	3.7	3.1
Total Wage & Salary Employment	2672.6	2763.2	2793.4	2850.9	4.0	3.4	1.1	2.1
Unemployment Rate	5.9	5.3	6.0	6.4	-9.2	-10.2	13.2	6.7

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Table 2

Georgia Personal Income for 1986 and 1987 with Forecasts for 1988 and 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	53041	57115	60658	64933	9.1	7.8	6.2	7.0
2. Other Labor Income	4913	5234	5486	5760	8.4	6.5	4.8	5.0
3. Proprietors' Income	6244	6745	7108	7646	14.6	8.0	5.4	7.6
Farm	1003	1001	1005	1165	22.5	-0.2	0.4	15.9
Nonfarm	5241	5744	6103	6481	13.2	9.6	6.3	6.2
Labor & Proprietors' Income:								
1. Farm	1152	1153	1165	1333	19.1	0.1	1.0	14.4
2. Mining	330	374	414	437	5.6	13.4	10.7	5.5
3. Contract Construction	4484	4445	4310	4379	14.5	-0.9	-3.0	1.6
4. Manufacturing	13016	13748	14604	15276	7.8	5.6	6.2	4.6
Durables	5826	6088	6501	6743	7.7	4.5	6.8	3.7
Nondurables	7189	7660	8103	8533	7.9	6.5	5.8	5.3
5. Transportation & Utilities	5763	6296	6688	7147	6.5	9.2	6.2	6.9
6. Trade	12344	13259	13911	14974	6.7	7.4	4.9	7.6
Wholesale	5794	6208	6521	6993	5.1	7.1	5.0	7.2
Retail	6550	7051	7390	7981	8.2	7.6	4.8	8.0
7. Finance, Ins. & Real Estate	4169	4664	4892	5265	18.1	11.9	4.9	7.6
8. Services	12140	13598	14723	16094	13.4	12.0	8.3	9.3
9. Other Industries	270	274	312	326	13.4	1.6	13.9	4.5
10. Government	10533	11323	12233	13108	6.5	7.5	8.0	7.2
Federal Civilian	2485	2549	2665	2808	-0.2	2.6	4.6	5.4
Federal Military	1479	1511	1585	1685	4.5	2.2	4.9	6.3
State & Local	6569	7264	7983	8615	9.7	10.6	9.9	7.9
Plus:								
Property Income	11158	11765	12976	13826	8.0	5.4	10.3	6.6
State U.I. Benefits	227	241	243	293	7.5	6.2	0.8	20.6
Other Transfers	10360	10887	11743	12567	5.5	5.1	7.9	7.0
Residence Adjustment	-193	-207	-193	-186	30.0	7.3	-6.8	-3.6
Less: Social Ins. Contributions	3648	3947	4479	4881	10.1	8.2	13.5	9.0
Equals: Total Personal Income	82103	87874	93542	99958	8.7	7.0	6.5	6.9
Nonfarm Personal Income	80951	86721	92377	98625	8.6	7.1	6.5	6.8
% of U.S. Nonfarm	2.32	2.35	2.35	2.35	---	---	---	---
Population	6104	6222	6331	6435	2.16	1.93	1.75	1.64

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Table 3 Atlanta MSA Wage and Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	1.3	1.4	1.4	1.4	6.9	7.7	0.0	0.0
2. Contract Construction	74.0	72.9	70.6	70.1	3.3	-1.5	-3.1	-0.7
3. Manufacturing	191.1	187.9	186.8	187.1	2.9	-1.7	-0.6	0.2
Durables	100.4	97.2	94.7	93.6	3.0	-3.2	-2.5	-1.2
Lumber	5.0	5.1	5.1	5.0	2.5	0.7	0.5	-1.5
Furniture	4.4	4.2	4.1	4.0	-6.9	-5.1	-1.9	-2.4
Stone, Clay, Glass	9.8	9.4	8.9	8.6	3.6	-4.3	-5.3	-3.4
Primary Metals	7.0	6.9	6.9	7.1	1.5	-1.1	0.0	2.9
Fabricated Metals	9.5	9.6	9.8	10.1	2.6	0.4	2.1	3.1
Nonelectrical Machinery	10.6	10.4	11.1	11.9	0.7	-1.2	6.7	7.2
Electrical Machinery	15.5	14.7	14.6	14.8	8.9	-5.3	-0.7	1.4
Transportation Equipment	33.0	31.4	28.7	26.6	3.7	-4.7	-8.6	-7.3
Other Durables	5.7	5.6	5.5	5.5	-0.6	-1.6	-1.8	0.0
Nondurables	90.7	90.8	92.1	93.5	2.8	0.0	1.4	1.5
Food	22.0	21.3	21.4	21.7	6.5	-3.3	0.5	1.4
Textiles	7.1	7.4	7.6	7.8	-5.6	3.9	3.0	2.6
Apparel	12.3	11.6	11.3	11.1	-3.0	-5.6	-2.6	-1.8
Paper	8.9	9.2	9.5	9.7	3.2	3.6	3.3	2.1
Printing	22.4	22.7	23.2	23.7	4.3	1.1	2.4	2.2
Chemicals	9.3	9.2	9.4	9.5	-1.9	-1.1	2.0	1.1
Other Nondurables	8.7	9.4	9.7	10.0	12.3	8.5	3.1	3.1
4. Transportation, Comm. & Utilities	109.3	114.9	119.5	121.8	4.3	5.1	4.0	1.9
5. Trade	366.3	378.5	380.3	388.7	4.5	3.3	0.5	2.2
Wholesale	128.3	131.0	131.0	132.3	2.4	2.1	0.0	1.0
Retail	238.0	247.5	249.3	256.4	5.7	4.0	0.7	2.8
6. Finance, Ins. and Real Estate	93.4	98.1	99.3	102.8	5.0	5.1	1.2	3.5
7. Services	302.7	319.8	330.4	344.3	7.5	5.6	3.3	4.2
8. Government	185.5	194.1	200.9	207.2	4.2	4.6	3.5	3.1
Federal	39.9	42.1	42.6	43.2	4.1	5.7	1.2	1.4
State	36.9	38.9	41.0	42.5	4.1	5.4	5.4	3.7
Local	108.7	113.0	117.3	121.5	4.3	4.0	3.8	3.6
Total Wage & Salary Employment	1323.7	1367.5	1389.2	1423.4	4.9	3.3	1.6	2.5
Unemployment Rate	4.5	4.4	5.1	5.5	-10.0	-2.2	15.9	7.8

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Table 4 Atlanta MSA Personal Income for 1986 with Forecasts for 1987 through 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	30050	32365	34459	37069	10.4	7.7	6.5	7.6
2. Other Labor Income	2842	3021	3172	3328	9.6	6.3	5.0	4.9
3. Proprietors' Income	2739	3013	3209	3401	14.8	10.0	6.5	6.0
Farm	145	147	153	159	35.5	1.4	4.1	3.9
Nonfarm	2594	2866	3056	3242	13.9	10.5	6.6	6.1
Labor & Proprietors' Income:								
1. Farm	155	159	166	173	32.5	2.6	4.4	4.2
2. Contract Construction	2483	2432	2345	2376	13.5	-2.1	-3.7	1.3
3. Manufacturing	5316	5480	5808	6064	10.0	3.1	6.0	4.4
Durables	3081	3133	3299	3392	8.9	1.7	5.3	2.8
Nondurables	2235	2347	2509	2672	11.5	5.0	6.9	6.5
4. Transportation & Utilities	4042	4466	4855	5219	7.0	10.5	8.7	7.5
5. Trade	8306	8899	9330	9974	7.1	7.1	4.8	6.9
Wholesale	4595	4917	5177	5514	6.2	7.0	5.3	6.5
Retail	3711	3982	4153	4460	8.3	7.3	4.3	7.4
6. Finance, Ins. & Real Estate	3054	3384	3563	3870	19.1	10.8	5.3	8.6
7. Services	7766	8628	9396	10326	14.2	11.1	8.9	9.9
8. Other Industries	210	232	246	261	11.2	10.4	6.3	5.9
9. Government	4300	4719	5131	5535	8.2	9.7	8.7	7.9
Federal Civilian	1124	1189	1242	1316	1.8	5.8	4.4	6.0
Federal Military	263	273	287	304	10.5	3.7	5.3	6.0
State & Local	2913	3257	3602	3915	10.7	11.8	10.6	8.7
Plus:								
Property Income	5609	5923	6551	6990	7.8	5.6	10.6	6.7
Transfer Payments	3722	3908	4217	4440	5.6	5.0	7.9	5.3
Residence Adjustment	-895	-913	-901	-873	4.8	2.0	-1.3	-3.1
Less: Social Ins. Contributions	2055	2224	2530	2771	11.5	8.2	13.8	9.5
Equals: Total Personal Income	42012	45093	48177	51584	9.9	7.3	6.8	7.1
Nonfarm Personal Income	41857	44934	48011	51411	9.8	7.4	6.8	7.1
% of Georgia Nonfarm	51.71	51.81	51.97	52.13	---	---	---	---
Population (#,Thousands)	2561	2642	2714	2773	3.69	3.20	2.73	2.17

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Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	87-2	87-3	87-4	88-1(r)	88-2(p)	Jun(p)	87-2	87-3	87-4	88-1(r)	88-2(p)	Jun(p)
Total	2754.6	2773.4	2785.8	2798.8	2785.5	2784.9	1365.2	1371.2	1376.5	1390.8	1384.4	1385.2
Mining	8.4	8.3	8.3	8.4	8.5	8.4	1.4	1.4	1.4	1.4	1.4	1.4
Contract Construction	148.9	150.8	154.2	152.3	148.5	147.8	71.6	72.5	73.4	71.7	70.5	70.0
Manufacturing	569.0	570.6	573.2	574.9	568.8	567.1	188.8	187.5	187.9	190.5	187.4	186.6
Durables	222.5	222.1	222.7	224.0	219.9	219.2	98.2	96.7	96.6	98.1	95.2	94.6
Lumber	33.7	33.6	33.6	33.9	34.0	34.0	4.9	5.0	5.2	5.1	5.0	5.0
Furniture	11.9	12.1	12.1	12.0	11.7	11.6	4.1	4.2	4.3	4.3	4.1	4.0
Stone, Clay, Glass	20.9	20.4	20.5	20.6	20.2	20.2	9.7	9.3	9.1	9.2	8.9	8.7
Primary Metals	16.3	16.1	16.1	16.4	16.1	16.2	7.1	6.7	6.6	6.7	6.8	7.0
Fabricated Metals	20.9	20.8	20.7	20.8	20.5	20.4	9.7	9.5	9.6	9.9	9.8	9.8
Nonelectrical Machinery	25.9	26.5	27.1	27.6	27.9	28.0	10.3	10.6	10.7	11.1	11.1	11.2
Electrical Machinery	29.6	29.7	29.4	29.7	29.7	29.6	14.7	14.7	14.4	14.7	14.8	14.6
Transportation Equipment	50.9	50.5	51.0	50.7	47.8	47.2	32.0	31.2	31.1	31.6	29.3	28.7
Other Durables	12.4	12.4	12.2	12.5	12.1	12.1	5.6	5.6	5.6	5.7	5.5	5.4
Nondurables	346.5	348.5	350.5	350.9	348.9	347.9	90.7	90.8	91.2	92.4	92.2	92.0
Food	60.5	60.9	61.3	61.8	61.2	61.2	21.3	21.2	21.2	21.7	21.5	21.3
Textiles	106.6	108.1	108.0	108.2	107.9	108.0	7.3	7.4	7.5	7.6	7.6	7.6
Apparel	68.1	67.8	67.8	67.4	66.7	66.1	11.7	11.6	11.4	11.6	11.4	11.3
Paper	31.1	30.7	31.9	31.8	31.2	30.8	9.2	9.3	9.3	9.5	9.5	9.5
Printing	36.8	37.3	37.9	38.2	38.4	38.3	22.5	22.7	23.0	23.0	23.2	23.2
Chemicals	19.1	19.4	19.5	19.5	19.3	19.3	9.1	9.3	9.4	9.4	9.4	9.4
Leather	1.6	1.7	1.6	1.6	1.6	1.6	---	---	---	---	---	---
Other Nondurables	22.6	22.7	22.6	22.5	22.6	22.6	9.5	9.4	9.4	9.7	9.6	9.7
Transportation, Comm. & Util.	174.8	175.0	176.1	176.4	177.2	177.0	115.2	115.8	116.6	117.7	119.5	119.5
Trade	691.4	694.6	692.5	699.8	693.3	692.4	378.4	378.7	378.2	382.1	378.3	378.2
Wholesale	200.0	199.4	200.3	200.6	200.0	199.1	131.0	130.4	131.4	131.8	130.8	130.9
Retail	491.4	495.2	492.2	499.2	493.4	493.2	247.3	248.4	246.8	250.3	247.5	247.2
Finance, Ins. & Real Estate	154.4	156.2	156.7	157.3	156.0	155.8	97.9	98.8	98.9	99.5	99.2	99.2
Services	532.7	538.0	546.5	545.4	548.5	549.5	317.8	321.6	324.2	328.3	326.9	329.9
Government	475.1	479.9	478.3	484.3	484.8	487.1	194.0	194.9	195.9	200.0	201.0	200.4
Federal	99.0	99.6	100.2	99.9	98.3	98.2	41.8	42.5	43.1	42.9	42.7	42.6
State and Local	376.1	380.4	378.2	384.5	386.5	388.9	152.2	152.4	152.8	156.8	158.3	157.9
State	110.8	111.4	112.4	113.5	112.8	112.8	38.8	38.6	39.6	40.6	40.4	41.2
Local	265.3	268.9	265.8	270.9	273.7	276.1	113.5	113.9	113.2	116.2	117.9	116.7

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Table 6 Metro Atlanta Housing Permits for 1985 through 1987 with Forecasts through 1989

	1985		1986		1987		1988		1989	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Barrow	--	--	--	--	206	0	210	20	195	40
Butts	66	4	64	0	93	0	75	10	70	10
Cherokee	1632	155	2450	265	1763	58	1500	20	1460	40
Clayton	1408	1424	1559	1832	1436	30	1350	1700	1300	1630
Cobb	5713	3003	5875	3922	5455	2781	4100	2000	3750	1760
Coweta	--	--	--	--	886	0	860	80	830	80
DeKalb	2686	4302	3265	3647	2895	3076	2950	3570	2830	3410
Douglas	702	189	779	202	946	303	680	600	660	760
Fayette	692	0	802	0	836	0	960	5	920	10
Forsyth	718	76	782	120	735	36	730	10	700	30
Fulton	3048	4143	3416	4355	3512	2506	3530	3650	3220	3120
Gwinnett	6905	4112	5728	4062	5496	322	4130	860	4420	1060
Henry	899	128	1322	164	1464	134	1400	100	1460	130
Newton	311	14	373	62	523	0	420	0	450	10
Paulding	718	0	882	6	1061	0	850	0	830	20
Rockdale	692	120	1075	298	971	159	730	210	700	300
Spalding	--	--	--	--	854	48	375	50	350	65
Walton	286	0	343	0	484	0	670	70	740	90
Total	26476	17670	28715	18935	29616	11253	25520	12955	24885	12565
% Change From Previous Year	+22.7	-8.5	+8.5	+7.2	-3.6	-40.8	-13.8	+15.1	-2.5	-3.0
% Change in Total (single + multi)	+7.8		+7.9		-18.4		-5.9		-2.7	
Estimated Potential Absorption (000)	48.0		45.6		40.5		36.0		29.5	

Source: Homebuilders Association of Metro Atlanta

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